



## COUNTY OF LOS ANGELES

### CHIEF INFORMATION OFFICE

500 West Temple Street  
493 Kenneth Hahn Hall of Administration  
Los Angeles, CA 90012

**JON W. FULLINWIDER**  
CHIEF INFORMATION OFFICER

Telephone: (213) 974-2008  
Facsimile: (213) 633-4733

May 24, 2005

To: Supervisor Gloria Molina, Chair  
Supervisor Michael D. Antonovich, Chair Pro Tem  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: Jon W. Fullinwider  
Chief Information Officer

Subject: **HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT  
(HIPAA) TRANSACTION AND CODE SETS RULES STATUS REPORT**

This report provides status on County compliance activities with HIPAA Transactions and Code Sets (TCS) Rules following the October 16, 2003 compliance deadline. We submitted a separate status report last week to your Board regarding County compliance with the HIPAA Security Rule whose compliance deadline was April 20, 2005. The Auditor-Controller is responsible for monitoring and auditing ongoing County department compliance with HIPAA Privacy Rule following its compliance deadline of April 14, 2004 and is submitting a separate semi-annual status report to your Board.

#### **Summary**

County departments' progress towards achieving full TCS compliance is largely unchanged since the last status report. Progress has been limited due to the State's inability to test and implement many required HIPAA transactions.

The Department of Health Services (DHS) through its claims processing clearinghouse, Accordis, is submitting HIPAA compliant Medi-Cal inpatient claims to the State using revenue codes based upon agreements reached with the State governing TCS processing. As previously reported, the State has indicated that they will not be prepared to accept HIPAA compliant Medi-Cal outpatient claims until calendar year 2006. DHS is continuing efforts internally to expand the use of HIPAA compliant transactions with other trading partners.

The Department of Mental Health (DMH) is processing HIPAA-compliant Medi-Cal claim files to the State. The problems with the file size and third-party payers are resolved and DMH is now current with both inpatient and outpatient claim submissions.

DMH is continuing to address Integrated System (IS) performance, reliability and functionality issues. In response to your Board's November 30, 2004 order, DMH is also submitting a monthly HIPAA-related Board report detailing their activities to improve the performance and reliability of the IS and its use by their providers.

### **TCS Compliance Issues**

#### Department of Health Services

- **HIPAA Compliant Medi-Cal Outpatient Claims.** Accordis, the DHS vendor Clearinghouse, is submitting HIPAA compliant Medi-Cal inpatient claims to the State using appropriate HIPAA compliant UB-92 revenue codes based on agreements reached with the State. On December 2, 2004, the State indicated that they will not be converting the County's Medi-Cal outpatient claims to be HIPAA compliant during calendar year 2005. However, the State would like to initiate discussions on this issue during the summer of 2005 in order to convert the County's Medi-Cal outpatient claims to a HIPAA compliant format sometime during calendar year 2006.
- **HIPAA Compliant Encounter Records.** Office of Managed Care (OMC) and DHS hospitals continue to work with LACare to submit HIPAA compliant encounter records from our hospitals to OMC and then to LACare. OMC reported that the last file required additional programming in order to meet LACare's front end HIPAA edit checks. OMC submitted another DHS file to LACare for review and processing on April 19, 2005. LACare identified some additional minor problems with the file. In addition, LACare identified a mistake in their companion guide which resulted in some additional programming changes. These programming changes have been completed and an updated file was submitted to OMC during the week of May 9, 2005.
- **Inpatient Mental Health Services Claiming.** Three of the four DHS hospitals utilize the non-HIPAA compliant, legacy Mental Health Management Information System (MHMIS) to submit mental health services claims for both Medi-Cal and Short Doyle reimbursement. Currently, Harbor/UCLA Medical Center (HUCLA) is piloting the HIPPA compliant DMH IS and is experiencing problems using the IS to submit completed psychiatric claims to the State. A meeting was held on March 7, 2005 with Sierra Systems, Inc. (Sierra) and DMH to discuss the issues. A follow-up meeting was held on April 26, 2005 to discuss the current status of the outstanding issues. There has been substantial progress made to resolve the issues and reporting needs. However, HUCLA still requires some key issues to be resolved in order to be fully functional under the new IS system.

Department of Mental Health and Kirby Center

- **HIPAA Compliant Medi-Cal Outpatient Claims.** DMH has been producing HIPAA compliant claims for outpatient services provided by directly operated clinics and contracted providers. DMH has returned to near routine processing of Medi-Cal claims. Claim submission is slowed by the IS processing capacity, which limits how quickly claims files can be produced without seriously impacting performance for end users. DMH, Sierra, and the Internal Services Department (ISD) are working together to make changes to the IS configuration to improve the speed of claims processing without negatively impacting IS users.

DMH and Sierra are providing technical assistance to contract providers who have a high number of denied claims or have otherwise been unsuccessful in processing claims through the IS. DMH is also providing advanced IS training for all providers to further assist them in resolving and resubmitting denied claims. Training sessions are scheduled through the end of May 2005.

DMH will continue to submit claims for outpatient services provided by Fee-for-Service (FFS) contractors through the MHMIS (the legacy claiming system) in a non-HIPAA compliant format, until existing IS performance and functionality issues are resolved. This work-around has reduced the delays in claim submissions and payments.

- **HIPAA Compliant Medi-Cal Inpatient Claims.** The majority of March 2005 Medi-Cal inpatient claims have been submitted to the State, but the processing capacity of the IS has limited how quickly the claim files can be produced and submitted, so certain March 2005 claim files will be submitted by the end of May 2005.

The potential duplicate claims described in our last report that led to an unusually high number of denials have been resolved by DMH and Sierra. Where appropriate, legitimate claims (that are not duplicates) have been resubmitted to the State in non-compliant format to avoid any risk of missing the claim submission deadline. DMH continues to work with HUCLA to identify and address issues contributing to suspended and denied claims.

- **HIPAA Compliant Medicare Claims.** DMH and Sierra have submitted HIPAA-compliant claims to Medicare, but with mixed success. Recent claim files have been accepted and processed, only to lead to difficulties getting a remittance advice (payment) file that DMH and Sierra can process. Sierra has not completed the modifications to the Medicare claims file to incorporate the claim identification number, the service units, and some additional changes requested by DMH to increase Medicare revenue. DMH and Sierra are expected to complete the modifications and begin submitting the Medicare claims backlog by late May or early June 2005.

- **Integrated System Improvements.** DMH, Sierra, and ISD are working to implement recommendations from the Integrated IS Improvement Plan. A key action identified in the report was the fundamental system redesign to significantly streamline the claims submission process. Sierra submitted a change order for \$648,000 to implement the changes by November 2005. After careful consideration and consultation with internal IS users and management from directly operated and contract providers, on May 5, 2005, DMH management elected not to sign Change Request (CR) 33 that would have authorized this work.

DMH management and the effected users thought that CR 33 was simply too much money for an incremental improvement that involved very substantial risk and would have been delivered much later than anticipated. DMH will explore with providers and Sierra ways to achieve the desired improvements for IS users at lower cost, with less risk, and with a more imminent delivery date. The implications of deciding not to sign CR 33 are of such significance that DMH will address the matter in a separate memo to the Board by May 31, 2005.

- **Late Claims.** On May 9, 2005, DMH received a copy of a memo from the Chief Deputy Director of the State Department of Mental Health (SDMH) State to Stan Rosenstein, Deputy Director, Medical Care Services, State Department of Health Services, acknowledging that difficulties with HIPAA implementation at SDMH contributed to DMH's filing late claims. If Mr. Rosenstein accepts the DMH position that "good cause may be found in late claims with dates of service from February 1, 2004 through September 30, 2004," an estimated \$5.0 million may be released to DMH and its providers.

Should you have any questions, please call me at (213) 974-2008 or Jonathan Williams, Chief Deputy, at (213) 974-2080.

JWF:GM:DH:sjc

Attachments

c: Department Heads  
Chair, Information Systems Commission



Summary HIPAA Transactions and Code Sets Status

| Organization                               | Transactions  | Compliance Strategy  | County Complete & Ready To Test With Trading Partner | Trading Partner Testing Complete   | Transaction in Production Use      | Comments  |
|--|---|--|--|------------------------------------|------------------------------------|---|
| DHS<br>Hospitals and<br>Associated Clinics | Health Care Claim (837) Outbound                                    | Outsource to Clearinghouse (Accordis)  |  | Inpatient - Yes<br>Outpatient - No | Inpatient - Yes<br>Outpatient - No | Accordis (DHS Clearinghouse) is submitting Medicare inpatient and outpatient 837 claims using approved HIPAA compliant Transaction Code Sets (TCS) information reflective of all-inclusive rate revenue codes. Accordis is submitting HIPAA-compliant Medicare non-hospital 837 claims to the Fiscal Intermediary (NHIC).   |
|  |   |  |  |                                    |                                    | Accordis is submitting HIPAA-compliant Inpatient Medi-Cal claims with "from" service dates beginning February 1, 2004 through the Medi-Cal Fiscal Intermediary (EDS). On December 2, 2004, the State indicated that they will not be converting the Medi-Cal outpatient claims to be HIPAA compliant during calendar year 2005. However, the State would like to initiate discussions on this issue during the summer of 2005 in order to convert the Medi-Cal outpatient claims sometime during calendar year 2006.  |
|  | Health Care Claim (837) Outbound                                    | Outsource to Clearinghouse (Accordis)  |  |                                    |                                    | DHS is submitting HIPAA 837 encounter data, via its clearinghouse (Accordis), to OMC. The encounter data submitted is consistent with the data required by the CDHS in processing inpatient Medi-Cal fee-for-service claims and claims submitted to other health plans. OMC has submitted the DHS data to LACare for review and processing. OMC reported that the last file required additional programming in order to meet LACare's front end HIPAA edit checks. A corrected file was sent to LACare on April 19, 2005. LACare identified some additional minor problems with the file. In addition, LACare identified a mistake in their companion guide which resulted in some additional programming changes. These programming changes have been completed and an updated file was submitted to OMC during the week of May 9, 2005. The file will then be subject to LACare's back-end claims processing cycle and edits. The remaining items to be completed in Phase II will include all ancillary CPT-4 codes and ICD-9 codes, if available in the Affinity system (currently only the primary ICD-9 code is sent). Accordis has indicated that once LACare has accepted the initial DHS data file, they will need approximately six to eight weeks to complete Phase II work. |
|  | Remittance Advice (835)<br>Eligibility Inquiry & Response (270/271) | Outsource to Clearinghouse (Accordis)<br>QuadrantMed Affinity/Provider Advantage 270/271 |  |                                    |                                    | No change to existing process.  |

The State has announced that as of July 1, 2005, they will no longer accept non-HIPAA compliant 270 eligibility inquiries. Since the Online Eligibility System (OES) is not HIPAA compliant, we anticipate that the State may terminate the use of this system; however, we will continue to utilize this system for obtaining Medi-Cal eligibility information until that action is taken. Since the State has updated their Point-of-Service (POS) system to meet HIPAA requirements, the County will also continue to utilize this system for obtaining Medi-Cal eligibility information. For business purposes, DHS has installed the necessary software at all facilities to process HIPAA compliant 270/271 transactions. The software is in production and HIPAA compliant 270/271 transactions are being processed to various third party payors including Medi-Cal and Medicare. The Department has met the State's November 20, 2004 go live date for accepting HIPAA compliant 270/271 transactions.

Los Angeles County  
Summary HIPAA Transactions and Code Sets Status

Attachment A

| Organization                                    | Transactions                     | Compliance Strategy  | County Complete & Ready To Test With Trading Partner | Trading Partner Testing Complete | Transaction in Production Use | Comments   |
|---|----------------------------------|--|--|----------------------------------|-------------------------------|--|
| DHS<br>Public Health Clinics                    | Health Care Claim (837) Outbound | Outsource to Clearinghouse (Accordis)  |  |                                  |                               | The administrative code sets were implemented as scheduled on 10/16/03. Claims with service dates 09/22/03 and greater were submitted to the State and have been adjudicated.  |
|   |                                  |  |  |                                  |                               | With regards to the implementation of national code sets, the State has not provided instructions on how to convert the local revenue codes to national codes. Therefore, until the information is received from the State, the clearinghouse vendor, Accordis, is unable to comply with HIPAA TCS regulations. Testing for format has been completed with the State and Accordis has received notification that it passed all format testing. |
|   | Remittance Advice (835)          | Paper  |  |                                  |                               | No change to existing process.   |
|   | Health Care Claim (837) Outbound | Custom coded front-end upgrade to capture the HIPAA data elements. Accordis, a clearinghouse, will process the actual transaction. |  |                                  |                               | DHS Alcohol and Drug Programs Administration (ADPA) is submitting HIPAA-compliant 837 claims transactions to the State Department of Alcohol and Drug Programs (SADP) through its clearinghouse vendor, Accordis.  |
| DHS<br>Alcohol and Drug Programs Administration | Health Care Claim (837) Inbound  | Paper  |  |                                  |                               | No change to existing process.   |
|   | Remittance Advice Outbound (835) | Paper  |  |                                  |                               | No change to existing process.   |
|   | Remittance Advice Inbound (835)  | Paper  |  |                                  |                               | No change to existing process for the time being. The State has not provided a date by which they will implement a HIPAA compliant remittance advice (835) transaction.  |
|   |                                  |  |  |                                  |                               |  |

Summary HIPAA Transactions and Code Sets Status

| Organization                        | Transactions                                   | Compliance Strategy   | County Complete & Ready To Test With Trading Partner | Trading Partner Testing Complete | Transaction in Production Use | Comments   |
|-------------------------------------|--|---|--|----------------------------------|-------------------------------|--|
|                                     | Health Care Claim (837) Inbound                | Vendor (HMS) modifying PMS to accept HIPAA compliant claim transactions from out-of-plan providers.   |  |                                  |                               | The X.12 837 transaction is certified by Claredi, however no trading partners have contacted CHP to conduct HIPAA-compliant transactions. OMC will continue processing this transaction in pre-HIPAA format consistent with the contingency plan, or on paper, until trading partner testing is complete. DHS has completed setting up a virtual private network with Claimnet and OMC has completed system testing with Claimnet. OMC continues outreach efforts to identify potential trading partners with out-of-network hospitals and physicians with whom to begin testing. No negative impact to OMC business processes or revenue flow has occurred. Status changed from "Not complete" to "Not complete for reasons beyond the control of the County" because CHP is technically ready to receive a 837 1&P should one be sent.   |
|                                     | Health Care Encounter (837) Inbound            | Interface engine software being installed to feed the OMC Data Warehouse. Using clearinghouse (DDD) to translate incoming proprietary format from non-County providers to HIPAA-compliant 837 format. |  |                                  |                               | OMC is accepting HIPAA-compliant 837P transactions from non-County providers via a clearinghouse (DDD) and they are testing the 837L. OMC is evaluating the transactions from DHS hospitals transmitted through Accordis. Please refer to the "Health Care Claim (837I) Outbound" status in the above "DHS Hospitals and Associated Clinics" section.  |
|                                     | Health Care Encounter (837) Outbound           | Data extracted from Data Warehouse will feed translator software to produce HIPAA compliant transactions.   |  |                                  |                               | OMC has modified its legacy system to process the transactions between DHS hospitals and OMC until the production server and the new interface engine is installed and completely tested. OMC is currently configuring the interface engine that will allow receipt of HIPAA-compliant 837I encounter records from DHS hospitals and will replace the interim solution now being tested.   |
| DHS<br>Office of Managed Care (OMC) | Health Care Encounter (837) Outbound           | Warehouse will feed translator software to produce HIPAA compliant transactions.  |  |                                  |                               | CHP is fully compliant on the submission of non-County provider transactions via a clearinghouse (DDD). No negative impact on business processes or revenue flow is anticipated.   |
|                                     | Remittance Advice (835) Outbound               | Vendor (HMS) modified PMS to produce HIPAA compliant transactions.  |  |                                  |                               | The X.12 835 transaction is certified by Claredi, but it has not yet been tested with trading partners and no trading partner has requested remittance advice information in electronic format. OMC is currently providing 835 equivalent information on paper to its trading partners. HIPAA compliance is a non-issue until a switch is made to an electronic transaction. No negative impact on business processes or revenue flow has occurred.  |
|                                     | Health Care Enrollment and Disenrollment (834) | Vendor (HMS) modified PMS to produce HIPAA compliant transactions.  |  |                                  |                               | OMC was able to process a compliant X.12 834 transaction as of the October 16, 2003 deadline. DHS currently provides its eligibility roster electronically to certain plan providers, including DHS facilities. OMC is in production with processing the Healthy Families' new data vendor, Maximus, and is also in production with LA Care, for Medi-Cal and will be in production March 2005.  |
|                                     | Premium Payment Order/ Remittance Advice (820) | Vendor (HMS) modifying PMS to accept and translate HIPAA transactions.  |  |                                  |                               | The State Healthy Families Program (HFP) is not expected to be ready to test the X.12 820 transaction with trading partners until the spring of 2005. HFP stated that the 820 electronic file they currently distribute is "materially compliant." The necessity for OMC to receive an X.12 820 transaction is settled and the need to generate an outbound 820 is still being investigated. OMC has completed custom programming modifications to its Patient Management System (PMS) that will allow it to receive and process the inbound 820 transaction, but has reached a point where they can make little progress without more information from the State. OMC will convert the 820 transaction file received from HFP to a flat file that will be sent to OMC Finance, thus mitigating any negative impact on OMC Finance or County Treasurer and Tax Collector (TTC) operations. In the interim, DHS will continue to process transactions in pre-HIPAA format. No negative impact on business processes or revenue flow is anticipated. |
|                                     | Eligibility Inquiry & Response (270/271)       | Vendor (HMS) modified PMS to produce HIPAA compliant transactions.  |  |                                  |                               | OMC is ready to receive a 270 and return a 271. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions, and those that are interested do not yet meet the OMC's minimum trading partner requirements. Hence there has been no testing with trading partners. No negative impact on business processes or revenue flow has occurred.   |

Los Angeles County  
Summary HIPAA Transactions and Code Sets Status

Attachment A

| Organization                          | Transactions                     | Compliance Strategy  | County Complete & Ready To Test With Trading Partner | Trading Partner Testing Complete | Transaction in Production Use | Comments   |
|---------------------------------------|----------------------------------|--|--|----------------------------------|-------------------------------|--|
| DHS<br>California Children's Services | Claim Status Summary (276/277)   | Vendor (HMS) modified PMS to produce HIPAA compliant transactions. |  |                                  |                               | OMC is ready to receive a 276 and send a 277. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions. Hence there has been no testing with trading partners. No negative impact on business processes or revenue flow has occurred. |
|                                       | Health Care Service Review (278) | Vendor (HMS) modified PMS to produce HIPAA compliant transactions. |  |                                  |                               | OMC is ready to receive and send a 278. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners. No negative impact on business processes or revenue flow has occurred.       |
|                                       | NCPDP                            | Pharmacy Benefit Management Contractor                             |  |                                  |                               | Contractor (PCN) is responsible for HIPAA compliance of NCPDP transactions.  |
|                                       | Health Care Claim (837) Outbound | In-house development of 837 transaction output                     |  |                                  |                               | Completed. Process is now routine.   |
|                                       | Health Care Claim (837) Inbound  | Paper  |  |                                  |                               | No change to existing process.   |
|                                       | Remittance Advice (835)          | Vendor (EDS) supplied via website                                  |  |                                  |                               | Completed. Process is now routine.   |
|                                       | NCPDP                            | Paper  |  |                                  |                               | No change to existing process.   |



Los Angeles County  
Summary HIPAA Transactions and Code Sets Status

| Organization                       | Transactions                                   | Compliance Strategy                                | County Complete & Ready To Test With Trading Partner | Trading Partner Testing Complete | Transaction in Production Use | Comments  |
|------------------------------------|--|--|--|----------------------------------|-------------------------------|---|
| DMH<br>Department of Mental Health | Health Care Claim (837)                        | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | The State recently modified the 835 Remittance Advice file to include the FFP amount and Sierra is using the new file structure in production. The processing capacity of the IS is a constraint on how quickly DMH can load the large 835 files received from the State to the IS once they are received.  |
|                                    | Health Care Enrollment and Disenrollment (834) | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | No change from last report. DMH pays for some services directly to the provider and for those services on the IS, they are currently producing HIPAA compliant X.12 835 remittance advice transactions within the IS. One contract provider is sending 837 transactions via EDI and Sierra returns the compliant 835 by EDI. FFS providers do not yet receive a HIPAA-compliant X.12 835 for approved claims since their claims are still sent to the State in a non-compliant format. They receive HIPAA compliant 835s for denied claims within the IS. While this transaction is in production use, its status is "yellow" because it is in limited use with a limited number of trading partners involved at this time. |
|                                    | Remittance Advice (835) Inbound                | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | No change from last report. DMH does not yet exchange a HIPAA-compliant ANSI X.12 270/271 transaction with the State. DMH does use the transaction internally and successfully. The State is working on an implementation of the 270/271 and DMH will transition to the compliant transaction in coordination with the State. The status will remain "yellow" until the State 270/271 is tested and implemented.  |
|                                    | Remittance Advice (835) Outbound               | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | No change from last report. The Integrated System began processing X.12 278 transactions internally with Fee-for-Service network providers on November 24, 2003. State Medi-Cal will not support compliant authorization transactions this year. DMH will continue to process transactions in a pre-HIPAA format with the State in the meantime. While this transaction is in production use, its status is 'yellow' because of the limited number of trading partners involved at this time and the limited manner in which it is used.  |
|                                    | Eligibility Inquiry & Response (270/271)       | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | No change from last report. DMH is presently offering the 276 and 277 X.12 transactions to Fee-for-Service network providers and Short-Doyle contract providers who are sending HIPAA compliant claims via EDI, but it is not a transaction currently used. State Medi-Cal will not support compliant status reporting transactions this year.  |
|                                    | Authorization (278)                            | Integrated System - Wrapper of MHMIS and FFS (EDS) |  |                                  |                               | No change from last report. The HIPAA-compliant NCPDP transaction became available for production use on February 9, 2004. No pharmacy providers are testing or using IS pharmacy functionality in production. Changes to the Pharmacy IS Deployment Plan have been identified, but not formally documented. The documentation effort is on hold until more pressing IS issues are resolved. This is expected to have no negative impact on pharmacy providers.   |
|                                    | Health Care Claim Status Summary (276/277)     | Integrated System - Administrative Transactions    |  |                                  |                               | No change from last report. DMH is presently offering the 276 and 277 X.12 transactions to Fee-for-Service network providers and Short-Doyle contract providers who are sending HIPAA compliant claims via EDI, but it is not a transaction currently used. It will likely become more important to them as they begin to process more HIPAA-compliant claims transactions. State Medi-Cal will not support compliant status reporting transactions this year.  |
|                                    | NCPDP  | Integrated System - Wrapper of MHMIS               |  |                                  |                               | No change from last report. The HIPAA-compliant NCPDP transaction became available for production use on February 9, 2004. No pharmacy providers are testing or using IS pharmacy functionality in production. Changes to the Pharmacy IS Deployment Plan have been identified, but not formally documented. The documentation effort is on hold until more pressing IS issues are resolved. This is expected to have no negative impact on pharmacy providers.   |

Step complete

Not complete for reasons beyond the control of County

Not complete